

## **Permanent Source Sacramento February 13, 2008**

The Department of Housing and Community Development held the second Permanent Source meeting on Wednesday, February 13. The meeting took place in Sacramento and was sponsored by the Cities Counties Schools Partnership.

### ***What should the Permanent Source fund?***

- Not for planning; What's needed is production of housing
- Need rent subsidies for low-income tenants of mobile parks; then rent control is not needed. Mobile Home park owners would like to see an end to rent-control. Owners feel they shouldn't be subsidizing low income populations at their expense.
- Need operating subsidies for migrant farm worker housing centers so they can operate for longer periods of time; also housing is needed for single adults in the migrant farm worker centers.
- Need farm worker housing at least 8 to 10 months per year. It depends on the crop patterns, but most agricultural areas in California are operating for that much of the year.
- Money for land purchase of migrant farm worker centers.
- Important to have Permanent Source enhance the Local Housing trust funds as much as possible, i.e. mirror their requirements and/or programs. Permanent Source should provide additional support for existing programs, such as the MHP program; Focus on leveraging dollars (local housing trust funds, federal monies) to create more housing. "Find the gaps and fill them."
- Rental housing for 'workforce' populations (defined as 80% of area median income.) They are left out of most programs currently, but are very much impacted by housing situation.
- Production Program: every year we lose pace with creating housing stock. Need a program that encourages production. Current allocations can be leveraged. MHP model does not help, it's too specific.
- Unmet housing needs of the Extremely Low Income (0 to 30% area median income [AMI]). California's median income is so high that it puts the tax credit rent for 'very low income and below' way out of the reach. Median income has moved to almost \$70K for State. Focus has shifted in last 20 years – programs no longer serve the needs of extremely low and very low income. Need more rent subsidy.
- Housing programs for emancipated foster youth. As wards of the State, it is our responsibility to take care of these youth and ensure that they have safe affordable housing. Statistic: within 18 months of emancipation ±30% are homeless; within 5 years of emancipation 60% are unemployed. SIDEBAR: LJ suggested that the study group contact her for information on the current youth housing program as it is currently seeking applicants. (MHP, homeless youth housing)
- Rental Housing for 30% of median income and under. Then Assistance for long term rentals, homeownership with permanent affordability, land trust and permanent equity.
- Programs for people who work and are extremely low-income. Definition of 'workforce' needs to be addressed. Lots of very low income people work fulltime. Permanent Source should fund housing affordable to a spectrum of incomes.
- Funds for land banking. State rural land banking program existed in the late 70's to 80's from general fund. Allowed agencies to compile land while it was cheap and hold it until

either they had enough to make a project feasible, or they needed it. Had restrictions on use for affordable housing.

- Production Program that ties operating subsidy with project financing – similar to HUD Section 202 or 811. MHP alone is not productive enough; Need 4% program, but with rental assistance for extremely low income.
- Rental assistance: need to study if there is a better way to leverage that (voucher vs. project).
- Land banking should be allowed for urban/suburban areas as well. Proposition 46 is a good model.
- Homeownership programs are fine, so long as long-term affordability is included (land trust, shared equity, resale restrictions, etc.) However, we do not want to create a separate class of homeowners that have no stake in the home itself – essentially renters. Require equity sharing to help build wealth.
- Keep it focused on the development of affordable housing.
- Focus where need is greatest – State already provides \$5 billion annual subsidy to upper income homeowners with the mortgage interest deductions; Upper income household is taken care of, so focus permanent source on those who need the most help.
- Expand place-based programs for migrant farm workers; such as the Joe Serna Farm Worker Wellness Program. This program was very successful and should be re-funded.
- Increasingly housing for extremely low income people is viewed as the same thing as supportive housing. They are different, though sometimes can occur together. Some extremely low income (ELI) households just need housing. Supportive housing is a completely different thing and should have different funding programs.
- Mobile Home Park acquisition program should be included in Permanent Source to restore funding to previous level. This is housing of last resort for many people and can be very successful if owned by the residents.
- Continue flow of funding for self help construction supervision – federal funds are drying up, but it crucial to self-help housing production.
- Preservation of currently affordable housing - including acquisition and rehabilitation of expiring-use projects.
- Continue all components of MHP – maybe expand or enhance.
- Maintain flexibility – Don't be too specific as to what the permanent source can/will fund, but careful to decide on programs up front. It is a long term source; 50 to 100 yrs. Housing needs change.
- State-wide distribution of funds – establish mechanisms that fairly distribute resources between rural and urban communities and allow all areas to compete fairly.
- Rural Rental assistance programs – currently this program is running out of funds, but is sorely needed.
- Predevelopment loans: nonprofits could use these funds to boost production capacity.
- Integrate Local housing trust funds, local housing programs: Keep locals as part of the solution.
- Rehabilitation Funds for long-term affordable projects. 55-year restrictions are fine, but need to address major physical plant overhaul needs in year 20, 30, etc. Tight operating budgets don't allow for sufficient reserves for replacement to cover escalating costs of rehabilitation.

- Funding for promotion and community education on the subject of 'affordable housing'; could utilize currently operating community-based organizations.
- Infrastructure for housing – Could tweak transit oriented or in-fill development criteria; without infrastructure a housing project can't go forward; can be cost prohibitive.
- Component that should be included is green affordable housing program. It is one of the Governor's long term goals.

### ***How should money be distributed?***

- Split is good. Competitive process is not cost effective, though it does tie funding to affordability and other goals. Find way to hold recipients (local gov'ts) accountable to goals while allowing for local flexibility.
- Open, competitive statewide programs, if structured properly, generates innovation, brings out entrepreneurship and creativity.
- Programs for rental housing that are deeply targeted (to extremely low income and very low income) are best administered by state government.
- Local governments should continue to handle homeowner programs, such as first-time homebuyer down payment assistance. Serves the local governments well.
- Give local governments (cities, counties) some of the permanent source funds to ensure buy-in to funding source and spending priorities.
- Measurements of capacity. Review local agencies' capacity and desire to produce affordable housing within their jurisdiction before funds are given. Look at redevelopment agencies and whether or not they have surplus money and/or housing set-asides. Develop guidelines for local spending plans.
- Use the HOME fund model.
- We already have the infrastructure for delivering funds. There is no need to set up a new one
- Can we look at increasing capacity and/or expertise for smaller local governments? Smaller and/or rural communities do not have the expertise, though they may have funds.
- How will rural localities compete with Sacramento's Housing and Redevelopment Agency or San Francisco? Should consider set-asides.
- Allow communities to create regional plans and pool funds to implement housing goals and build capacity. Pooling is beneficial to compete for state's local housing trust fund monies.
- Matching funds – Requiring small or regional agencies to have the dollars up front, severely hampers their efforts to build momentum for plans and contributions. Consider changing requirements so some of state funds could be available up front, with matching dollars necessary thereafter. Line of credit in matching amount? Need to be available.

### ***What sources should we use?***

- Document recording fee: \$1 per page for all kinds of transactions.

- Call it a housing trust fund fee, don't try to disguise it - It's a tax or a fee.
- Research what other countries are doing – HCD has provided outline of what other states are doing.
- Mortgage interest deduction: cap deduction; eliminate 2<sup>nd</sup> homes deduction.
- Do not go after sources that local governments use – politically untenable, look at things individual governments can't do.
- Review success of local governments at collecting in-lieu fees from inclusionary housing policies. Don't really know how those funds are used.
- Look at commercial linkage fees.
- We will have to look at more than one source.
- Look at industries that benefit from effective housing policies, and when the state invests in housing.
- Origination fee: Collect from real estate borrowers over a certain income, or all.
- Ask Governor to propose an entertainment tax.
- Luxury goods tax
- Provide inclusionary housing incentives to local governments. Allow them to reduce their contribution to the permanent source if they have inclusionary housing policy AND it results in more affordable housing.
- Tax on commercial development per square ft.
- Small tax for people migrating to California.
- Restore the Vehicle License Fee and put it into a housing fund.
- Real Estate Transfer tax.
- Find a Nexus fee such as the utilities have for the CARE program. Everyone who uses housing contributes.
- Mortgage or income tax check off (mandatory probably)
- Housing providers shouldn't be the default to provide affordable housing. Everyone should come together on this.
- Property tax assessment; increase marginal tax rate
- a 1% tax
- Millionaire tax (1/2%)
- Split roll property tax - Commercial properties get assessed more often than just when they change hands. "Remember that manufactured housing projects are commercial properties." Exempt them?